



**The Industrial Development Authority
of the City of Tucson, Arizona**

**REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF TUCSON, ARIZON**

**Thursday, June 18, 2020
3:00 p.m.**

A virtual meeting was held via zoom

<https://zoom.us/j/96408822029?pwd=RFpjM2hwOHQ0bzBSUEZuSUtmYThZZz09>

Minutes

Present: Board Members Larry Lucero
Judy Clinco
Mimi Noshay-Petro
Neal Eckel
Patricia Schwabe

Absent Sandra Barton

Advisors Charles Lotzar, Lotzar Law Firm, PC
Gary Molenda, BDFC Advisor Services, LLC
Karen Valdez, BDFC Advisor Services, LLC

Guests Scott Riffle, Stifel Public Finance
Mike Czechowski, City of Tucson
Jay Kaprosy, Veridus
Jeff Sandquist, Veridus

Open Meeting: Due to the impacts of the COVID-19 pandemic, which have prompted declarations of a public health emergency at both the State and Federal levels, the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) Regular Meeting was conducted using measures to protect public health. Social distancing practices will be used. This Regular Meeting was held remotely through telephone conference call, as permitted under Arizona law. Members of the public were not allowed to attend the Regular Meeting in person. Members of the public could attend and listen to the Regular Meeting by conference telephone call.

ITEM	ACTION TAKEN/TO BE TAKEN												
1. Call to Order	The Regular Meeting was called to order at 3:06 p.m.												
2. Request for resolution to approve the Minutes of the Regular Meeting of May 21, 2020.	A MOTION was made and seconded (N. Eckel / M. Noshay-Petro) to approve the minutes of the May 21, 2020 Regular Meeting as presented. Approved 5-0.												
3. Request for resolution to approve the payment of invoices and the notification of to be paid on the Authority's behalf by third parties. C. Lotzar provided an update on 3 insurance policies that will be renewing July 1, 2020 for Directors & Officer Liability, General Liability, and Excess Liability coverage. It was noted that there is an 8.8% increase in Directors & Officers Liability Policy premium; which is reflective of the substantial increase in activity related to the Pima Tucson Homebuyer's Solution Program.	A MOTION was made and seconded (J. Clinco / M. Noshay-Petro) to approve payment of invoices, as presented. Approved 5-0.												
4. Status report and request for resolution with suggested motion regarding the election of the Authority's executive officers for the fiscal year running from July 1, 2020 until June 30, 2021 based on the following slate: The following Slate of Officers was presented for the FY20-21 election of Officers: <table border="0"> <tr> <td>Office:</td><td>Name:</td></tr> <tr> <td>President</td><td>Larry Lucero</td></tr> <tr> <td>1st Vice President</td><td>Neal Eckel</td></tr> <tr> <td>2nd Vice President</td><td>Judy Clinco</td></tr> <tr> <td>Secretary</td><td>Mimi Noshay - Petro</td></tr> <tr> <td>Treasurer</td><td>Sandra Barton</td></tr> </table>	Office:	Name:	President	Larry Lucero	1st Vice President	Neal Eckel	2nd Vice President	Judy Clinco	Secretary	Mimi Noshay - Petro	Treasurer	Sandra Barton	A MOTION was made and seconded (M. Noshay-Petro / J. Clinco) to approve the slate of Officers for the FY20-21 as presented. Approved 5-0.
Office:	Name:												
President	Larry Lucero												
1st Vice President	Neal Eckel												
2nd Vice President	Judy Clinco												
Secretary	Mimi Noshay - Petro												
Treasurer	Sandra Barton												
5. Status report from the Liaison to City of Tucson, Arizona City Manager's Office related to: M. Czechowski provided status on the following: <ol style="list-style-type: none"> a. Mayor & Council Retreat and potential Strategic Action Plan b. The City's Economic Development Prospect list. c. The City's use of Economic Development tools. <ul style="list-style-type: none"> • 1. S. Church – Rio Nuevo Government Property Lease Excise Tax ("GPLET") 	No action taken.												

<ul style="list-style-type: none"> • In August 2020 the revised Central Business District expansion will go to Mayor & Council for approval. <p>d. Opportunity Zones.</p> <p>e. Current items of interest.</p> <ul style="list-style-type: none"> • The City of Tucson (“COT”) and Pima County have partnered with Hownd.com; which is a website designed to generate immediate revenue for local merchants. The concept is similar to the Downtown Tucson Partnership (“DTP”) gift card program. 	
<p>6. President’s Report: Summary of current events, including items brought to the President’s attention or matters that required handling by the President since the last meeting.</p> <p>L. Lucero reviewed the following and provided status:</p> <ul style="list-style-type: none"> • COVID-19 related actions – Reviewed the Governor’s Executive Orders. • Vacancy on the Authority’s Board of Directors – The COT has not taken any action. • DTP Gift Card Program - The Authority was one of the sponsors. • Thrive in the ’05 – The Steering Committee has taken action for approval and submission to Housing and Urban Development (“HUD”). Expect notification in 2021. 	No action taken.
<p>7. Status report related to the Authority’s Small Business Lending Program and request for resolution acknowledging the role of Business Development Finance Corporation (“BDFC”) and BDFC’s power to restructure loans.</p> <p>G. Molenda reported that the Payroll Protection Program (“PPP”) has been successful in terms of the high level of originations in Tucson and Pima County, Arizona.</p> <p>Mr. Molenda stated that the Authority’s leadership role in contributing to and supporting the City of Tucson’s “We are One”/”Somos Uno” Resiliency Program (the “Resiliency Program”), resulted in a well-rounded contribution to the Resiliency Program; which includes funds from Community Foundation for Southern Arizona (“CFSA”), Growth Partners Arizona (“GPAZ”), and Business Development Finance Corporation (“BDFC”).</p> <p>G. Molenda provided status on the PPP Program:</p>	No action taken.

<ul style="list-style-type: none"> • New rules are received every couple of days. • Qualifying period has been extended to the end of 2020. • Change in requirements: decrease in the amount required to be spent on wages from 75% to 60%. • PPP funds are technically loans, but forgivable if the loan funds are used properly. • There is an increased probability that loans will be fully forgiven. • PPP is oversubscribed. • BDFC is working with the city of Tucson on a loan fund with a 10-year term and 0% with amounts up to \$25,000 at 6 months of no payment. The purpose of the PPP is to serve the “underserved”. • Big responsibility in reviewing for eligibility. <p>G. Molenda provided status on the Authority’s second funding of \$500,000 to BDFC to provide Small Business Administration (“SBA”) Section 7 (a) loans:</p> <ul style="list-style-type: none"> • Loans will have an interest rate of prime plus in line with SBA lending practice. • Loan amounts will be up to \$25,000 with a 10 - year term and there will not be a prepayment penalty. • No collateral. • Collaborating with 2 other entities; plenty of business. • It is anticipated that Phase 2 of the COVID -19 economic recovery will last a long time. 	
<p>8. Status report related to the Authority’s Loan Review Committee and request for resolution related thereto.</p> <p>No report.</p>	<p>No action taken.</p>
<p>9. Status report related to the Authority’s Marketing Committee and request for resolution thereto.</p> <p>L. Lucero reviewed short term, and mid to long term goals of the Marketing Committee as follows:</p> <p>a) Short Term:</p> <ul style="list-style-type: none"> • Retain a Consultant to maintain the Authority’s website, social media, and include graphic design and photography. <p>Deliverables include:</p>	<p>A MOTION was made and seconded (J. Clinco / M. Noshay-Petro) to accept the recommendations of the Marketing Committee and approve the following:</p> <p>a. Select an Independent Contractor to maintain the Authority’s website</p>

<ul style="list-style-type: none"> • Post Press Releases and current program information. • Design program brochures. • Update Lender information. • Update search engine and search words as necessary. • Post more photos. • Update “Home Page” – graphics and add banner • Strengthen photos with ability to click on and be directed to program information. • Add links to businesses assisted. • Assure website is mobile device compatible with high functionality. • Produce construction site banner as needed. <ul style="list-style-type: none"> • Biz-Tucson partnership: <ul style="list-style-type: none"> • An article on Authority will appear in the September 2020 issue. • The Authority’s Board of Directors and Advisers will be interviewed. • The recommendation is to secure quarterly ad placements in Biz-Tucson <p>b) Mid to Long Term:</p> <ul style="list-style-type: none"> • Consult with Tucson Lifestyle for possible partnership. • Consult with Visit Tucson for possible partnership. • Determine feasibility of a part-time Marketing administrator for Web Maintenance, preparation of Press Releases, and manage external distribution of information. 	<p>at rate not to exceed \$95 per hour.</p> <p>b. Secure Advertising in Biz Tucson magazine in an amount not to exceed \$8,000 for 4 advertising placements / year.</p> <p>Approved 5-0.</p>
<p>10. Status report related to the Authority’s Strategic Planning Committee and request for resolution related thereto.</p> <p>N. Eckel provided an overview of the activity the Strategic Planning Committee (“Committee”):</p> <ul style="list-style-type: none"> • The original discussion was to determine if the Authority should assist consumers involved in predatory lending. • A number of conversations have taken place with The Industrial Development Authority of the County of Pima (“Pima IDA”), Community Investment Corporation (“CIC”), Pyramid Federal Credit Union (“PCU”), United Way (“UW”), and Primavera Foundation (“Primavera”) who administer an existing program. 	<p>A MOTION was made and seconded (N. Eckel / J. Clinco) to accept the recommendation of the Strategic Planning Committee and approve the following:</p> <ul style="list-style-type: none"> a. Provide \$50,000, as recommended by the Committee. b. The Committee on behalf of the

<ul style="list-style-type: none"> • The Committee recommends: <ul style="list-style-type: none"> a. Authorizing a \$50,000 loan fund for eligible Tucson residents for the purpose of enabling consumers to avoid entering into, or to help in paying off, high-interest loans from companies that are currently providing such services. b. Authorizing a Request for Proposal (“RFP”) to local banks or credit unions for deposit and administration of the funds to qualified borrowers and negotiate details on the dollar limits on such loans, the interest rates to be charged and the repayment terms. c. Authorizing a RFP to local nonprofit agencies to work in conjunction with the Authority and the lender to provide financial literacy training to these consumers. • The Authority recognizes that many individuals and families turn to title loan companies or similar services to obtain small, short-term loans, often for emergency use. • These high interest loans can result in consumers getting caught in a vicious cycle of being unable to pay off the principal, because of the high interest that continues to accrue on the debt. • Consumers often must seek additional loans to avoid defaulting. • This type of borrowing can lead to consumers filing bankruptcy and/or be unable to save money in order to avoid such high-interest loans in the future. • The recommended funding amount of \$50,000 will match similar funds being provided by the Pima IDA (through the Community Investment Corporation). <p>Discussion ensued regarding the RFPs and C. Lotzar stated that the Authority is not subject to the Procurement Code, so an RFP process is not legally required. The Authority can simply choose to contract with whomever it chooses. However, if the Authority decides to use an RFP process, then it must respect the constraints imposed by the RFP process.</p> <p>N. Eckel stated the Committee will identify a Lender and nonprofit agency able to administer the program.</p> <p>It was the consensus of the Authority to accept the recommendation of the Committee.</p>	<p>Authority will issue a Request for Proposals, as recommended by the Committee.</p> <p>Approved 5-0.</p>
<p>11. Status report on the Authority’s Fiscal Year 2019 – 2020 accomplishments and request for resolution related to future activities</p>	<p>No action taken.</p>

<p>and needs in the form of the Authority’s Fiscal Year 2020 – 2021 Goals & Objectives.</p> <p>K. Valdez reviewed the Authority’s activity as follows:</p> <ul style="list-style-type: none"> • The Pima Tucson Homebuyers Solution (“PTHS”) Program through May 31, 2020: <ul style="list-style-type: none"> a. Mortgage - Backed Securities (“MBS”) issued in the aggregate 699,720,178. b. Gross Down Payment Assistance (“DPA”) provided to borrowers through May 31, 2020: \$26,788,807. • Tucson Pathway to Purchase (“P2P”) from both the 2016 and 2019 phases of the program through December 31, 2019: <ul style="list-style-type: none"> a. MBS issued in the aggregate: \$316,204,258. b. Gross DPA to borrowers through December 31, 2019: 34,230,721. c. Fees provided to Arizona Department of Housing (“ADOH”) to be used for the Tucson Pima Rapid Rehousing Fund: \$7,300,000. • From 1998 to December 31, 2019 the Authority issued Mortgage Credit Certificates to 421 qualified first - time homebuyers. • From 1996 to May 31, 2020 the Authority has issued \$6,260,944 in loans to local nonprofit and for profit small businesses with \$765,000 loans pending. • From 1984 through December 31, 2019 the Authority has provided \$689,933,933 in Private Activity Bond financing of which \$66,150,000 was issued to projects located in, or adjacent to, the City of Tucson’s downtown. <p>S. Riffle, Stifel Public Finance, stated that the PTHS Program is seeing record volume and the PTHS Program is currently offering rates lower than rates offered outside of the PTHS Program.</p> <p>It was also noted that there has been an increase in manufactured housing as the inventory of affordable housing available is very low.</p>	
<p>12. Status report related to potential Arizona legislation regarding the Authority’s business including, but not limited to the Industrial Development Financing Act and Private Activity Bonding Allocation Act and request for resolution related thereto.</p> <p>Jay Kaprosy and Jeff Sandquist, Veridus, provides updates as follows:</p> <ul style="list-style-type: none"> • The State of Arizona’s General Fund revenues have not fallen as much as anticipated. 	<p>No action taken.</p>

<ul style="list-style-type: none"> • The latest revenue forecast does not anticipate as rapid a recovery in FY2021. • The ultimate level of the FY2021 revenue will be influenced by the future course of COVID-19, which cannot be predicted at this time. • Possible budget shortfall solutions, including (a) tapping into the State's \$1 billion "Rainy Day Fund" or (b) using some of the \$1.4 billion in Federal Coronavirus Relief Funding the State has received. • A return the State Legislature is unlikely to occur. <p>Discussion ensued. It was the consensus of the Authority that Veridus focus should continue on issues related to affordable housing.</p>	
<p>13. Status Report related to the potential sale, development, construction, equipping and /or operation of a project on (a) 450 N. Main, (b) Block 174, and (c) Block 175, and request for resolution related thereto; which may include formally ratifying the direction previously given to legal counsel.</p> <p>450 N. Main</p> <p>C. Lotzar stated that he has had preliminary conversations with Studio Y Design & Development LLC.</p>	<p>No action taken.</p>
<p>14. Status Report related to The Industrial Development Authority of the County of Pima and The Industrial Development Authority of the City of Tucson, Arizona, Revolving Taxable Single Family Mortgage Loan Program of 2012 ("Pima/Tucson Homebuyers Solution Program") the "Pathway to Purchase Program" within the Pima/Tucson Homebuyers Solution Program and request for resolution related to proposed improvements or modifications to the Program including additional marketing efforts.</p> <p>C. Lotzar said Fannie Mae ("FNMA") and Freddie Mac ("FHLMC") continue to have volatility in addressing mortgage loan forbearance.</p> <p>C. Lotzar explained that there is a window of time when a loan is in the PTHS Program and the loan is held by US Bank as Master Servicer, before the loans are bundled into a Mortgage - Backed Security ("MBS") and the MBS is sold in the public market.</p> <p>If the homebuyer does not pay on the mortgage loan prior to its' bundling into an MBS, then the mortgage loan may not be eligible to be bundled into MBS. Similarly, if the mortgage loan is nonconforming for any other reason, then the originating lender must buy back the loan.</p> <p>In some of these instances, FNMA and FHLMC are requiring US Bank as the Master Servicer to pay 500 to 700 basis points per offending loan.</p>	<p>No action taken.</p>

<p>It was noted that the PTHS Program has not experienced any of these issues.</p> <p>Mr. Lotzar stated that there are a variety of different scenarios being discussed, which could mean more changes are coming in the future.</p> <p>S. Riffle reported that Stifel Public Finance has stepped in to re-price loans.</p> <p>C. Lotzar stated that the PTHS Program is holding up well and the PTHS Program is experiencing tremendous volume.</p>	
<p>15. Staff Reports: Monthly Staff Report for the month ending May 31, 2020.</p> <p>The following monthly reports were provided to the Authority in keeping with past practices.</p> <p>a. General Operations of the Authority:</p> <ul style="list-style-type: none"> i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”). ii. Bond Borrower’s payment of Administrative Fees. iii. Cash Management. iv. Loan Servicing. v. Loan Origination. <p>b. Outstanding Single-Family Programs:</p> <ul style="list-style-type: none"> i. \$40,000,000 The Industrial Development Authority of the County of Pima and The Industrial Development Authority of the City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (the “Pima/Tucson Homebuyers Solution Program” or “PTHS Program”) - commenced on December 17, 2012 and unless extended expires on December 31, 2020 – more than \$636,846,000 in mortgage-backed securities sold with more than \$26,235,000 of down payment assistance granted to homebuyers. ii. The Industrial Development Authority of the City of Tucson, Arizona The Industrial Development Authority of the County of Pima Tucson P2P Program (the “Tucson P2P Program”) – Phase II commenced on August 1, 2018 and unless extended expires on December 31, 2020 – more than \$340,000,000 	<p>No action taken.</p>

<p>in mortgage-backed securities sold (1st sales in October 2016) with more than \$30,000,000 of down payment assistance granted to homebuyers and over \$6,200,000 deposited into the Tucson Rapid Rehousing Fund.</p> <p>iii. \$9,375,000 The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2020- January 2, 2020 – Origination Period expires December 31, 2022 and approximately 1 Mortgage Credit Certificates has been issued aggregating to \$205,000.</p> <p>iv. The 7% 2nd Mortgage Loans originated in connection with:</p> <p style="padding-left: 40px;">A. Series 2006 (Joint) - \$30,475,000 – 1st Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$85,000 in 2nd Mortgage Loans are outstanding).</p> <p style="padding-left: 40px;">B. Series 2007A (Joint) - \$23,400,000 - 1st Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds - approximately \$120,000 in 2nd Mortgage Loans are outstanding).</p>	
<p>16. Adjourn</p> <p>Unless it becomes necessary to meet, it was the consensus of the Authority to cancel the July 16, 2020 Regular Meeting. In that case, the next Regular Meeting will be held, via zoom, on Thursday, August 20, 2020.</p>	<p>A MOTION was made and seconded (N. Eckel / M. Noshay-Petro) to adjourn the Regular Meeting at 4:28 p.m. Approved 5-0.</p>

Submitted by:

Approved by:

Karen J. Valdez
BDFC Advisor Services, LLC

Larry Lucero, President
The Industrial Development Authority of the
City of Tucson, Arizona